



# **INTERNAL AUDIT FINANCIAL POLICE DEPARTMENT CASH FUNDS**

October 1, 2001

Roanoke City Council Audit Committee  
Roanoke, Virginia

We have audited the accompanying statement of cash receipts and disbursements of the Police Cash Funds for the year ended June 30, 2001. This financial statement is the responsibility of the Police Department Administration. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

## **BACKGROUND**

The Commission on Accreditation for Law Enforcement Agencies (CALEA) requires Police Departments establish written directives governing the maintenance of all cash fund accounts. At a minimum, departments must have:

- A ledger system that identifies initial balances, cash received and disbursed, and ended balances.
- Records or documentation for cash received
- Authorization for disbursements
- Documentation requirements for expenditures
- Positions authorized to disburse or accept cash
- Quarterly accounting of agency cash activities

The Accreditation standards also require an annual independent audit of these funds.

The City of Roanoke Police Department maintains an emergency fund account that is used when a need for cash arises and there is not sufficient time to request money from the Finance Department. It also maintains a federal drug fund that is used in Vice Bureau investigations. The department issues a check from the federal drug fund to the Vice Lieutenant that he cashes and distributes to his detectives for operating expenses. In addition to the cash obtained from the federal drug fund, the Vice Lieutenant is accountable for a "flash and buy" fund that was established by a court order for use in drug investigations.

The Police Department is also responsible for the collection of the following fees: verifications of police reports, public vehicle drivers licenses, reproductions of documents and photos, gold and precious metals permits, and conservators of the peace background investigations. Training events are organized by the Police Academy several times a year, where fees are collected from any attendee that is not a City of Roanoke Officer. In addition, the department collects towing and storage fees for automobiles that have been towed as the result of illegal parking or an arrest. If a towed vehicle is unclaimed by the owner within the specified time period, the vehicle is sold at auction with the department being responsible for collection of proceeds. All fees collected are deposited with the City Treasurer.

In addition to the above, the department confiscates cash during arrests. The arresting officer presents the cash to the property room and at the end of each day the collections are deposited with the City Treasurer.

### **PURPOSE**

The purpose of this audit was to determine that cash funds used and collected by the Police Department are supported by appropriate documentation, and that transactions are recorded in a complete and accurate manner.

### **SCOPE**

We tested compliance with certain laws and regulations, obtained an understanding of internal controls, and assessed control risk. Our examination included transactions and cash balances for the 12 months ended June 30, 2001 for the following: chief's emergency fund, flash and buy, Federal drug funds, and Petty cash, as reported in the attached financial statement. Our examination also included auto auction revenue, towing/storage fees, report verification fees, fees for background investigations, fees for reproduction of photos and documents, animal control fees, and training fees, which are deposited with the City Treasurer as Police fees. The property room cash was also examined. The property room cash is held in a safe and deposited with the City Treasurer.

**METHODOLOGY**

We conducted this audit using standard auditing procedures for evaluating transactions. This included performing a study of the system of internal controls to the extent necessary to plan our test work. This involved interviewing Police personnel and reviewing applicable policies and procedures used to process transactions. We then performed detailed testing of the underlying transactions that comprise the cash activity reported.

**REQUIRED COMMUNICATIONS****System of Internal Controls**

The Police Department is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, judgments by management are required to assess the expected benefits and related costs of control procedures. The objective of a system of internal controls is to provide the Police Department with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with the Chief's authorization, and that transactions are accurately recorded.

As part of our examination, we made a study of the system of internal controls to the extent that we considered necessary to evaluate the system as required by government auditing standards. The purpose of our study was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the records of cash funds administered by the City of Roanoke Police Department.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. A projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation would not necessarily disclose all material weaknesses in the system of internal controls. Accordingly, we do not express an opinion on the system of internal controls.

**Compliance with Laws and Regulations**

Compliance with laws and regulations applicable to the cash funds of the Police Department is the responsibility of the Chief of Police. As part of obtaining reasonable assurance about whether the cash fund financial records are free of material misstatement, we performed tests to verify compliance with certain provisions of laws and regulations by the Police Department. Laws and regulations tested include the compliance with Code of Virginia, Code of the City of Roanoke, and Roanoke City Police Department Operational Directives. Our objective was not to provide an opinion on overall compliance with applicable laws and regulations. Accordingly, we do not express such an opinion.

However, the results of our tests indicate that, with respect to the items tested, the City of

Roanoke Police Department has not complied, in all material respects, with the provisions referred to in the preceding paragraph.

## **RESULTS**

### **Finding 01**

Conservators of the Peace: under the Code of Virginia, organizations apply with the Circuit Court to have individuals appointed as Conservators of the Peace. Upon order from a Circuit Court Judge, the Police department conducts background investigations and provides a written report to the Judge. Once the Judge appoints the Conservator, the person has the power to enforce criminal laws, including the power to arrest. We noted the following concerns related to Conservators of the Peace:

- The fee for conducting Conservators of the Peace investigations as mandated by City Council Resolution was noted to be inconsistent with State Law. Code of Virginia, Section 19.2-13 states that the allowed fee for Conservators of the Peace investigations is the lesser of actual costs associated with conducting the investigation or \$300. Currently, the fee compendium mandates a \$250 charge in all cases.
- Several active files for Conservators of the Peace were located in boxes marked “to be destroyed”. According to The Library of Virginia, General Schedule number 17, Conservators of the Peace Investigation files must be retained for two years after designation is no longer active.
- Required fees were not charged for three Conservators Investigations completed during the audit period. The total amount not billed was \$750, however all fees were billed subsequent to a meeting with the person responsible for billing.

### **Recommendation 01**

Written procedures should be adopted that are inclusive of the following:

- A narrative describing the purpose and use of a Conservator of the Peace license.
- Procedures used to conduct background investigations, inclusive of what should be kept in files for each applicant.
- Procedures describing when to bill the applicant and how to calculate applicable fees.
- Procedures describing overall file maintenance for Conservators of the Peace applicants, inclusive of records management procedures to ensure compliance with The Library of Virginia requirements.
- Procedures describing database maintenance

The inconsistency with State Law regarding fees charged for Conservators of the Peace investigations has been referred to the City Attorney’s office for evaluation and resolution.

**Management's Response 01**

Department will develop a standard operating procedure (S.O.P) addressing Conservators of the Peace management.

**Finding 02**

Four of 10 daily collections of towing and storage fees tested were not deposited with the City Treasurer in a timely manner. According to the Code of the City of Roanoke section 2-172, collection of monies shall be reported to and deposited with the City Treasurer no later than noon the next business day.

**Recommendation 02**

Collection box for towing/storage fees should be checked daily and deposits subsequently be made at the Treasurer's office. Night drop boxes are available if it is after hours.

**Management's Response 02**

Department will develop a standard operating procedure (S.O.P) addressing Towing/Storage management.

**Finding 03**

The Police department is not charging correct fees for Animal Control activities. According to Resolution 34437, a fee of \$4 shall be charged for the initial day of boarding each animal, and \$8.75 for each day thereafter. In all instances tested, \$8.75 was charged each day, including the initial day.

**Recommendation 03**

Charge fees in accordance with the fee compendium until such time that the compendium is revised.

**Management's Response 03**

A letter will be drafted and sent to the SPCA advising them to begin charging the current city mandated fee. The department will also work with the City Attorney's office to present the necessary resolution to Council to increase the boarding fee to \$8.75 per day, beginning on the first day.

**CONSLUSION**

In our opinion, the attached financial statements presents fairly, in all material respects, the cash transactions of the Police Department's cash funds for the year ended June 30, 2001.

We would like to thank the Police Department for their cooperation during the audit.

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Brian M. Garber  
Auditor

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